

August 7, 2006

Loan Guarantees Announcement

Thank you, Fred, for that very nice introduction. I am very pleased to see Maryland making this commitment to ethanol and E-85 as part of the state's fuel mix.

Reducing our nation's dependence on foreign oil has never been a more pressing issue, and making greater use of E-85 and other renewable fuels can help us achieve that goal. I applaud Governor Ehrlich for his commitment to clean energy policies in Maryland. He has been leading the way by setting renewable energy standards, expanding the state's fleet of flex fuel vehicles and committing the state to buying 10% of its electric power from renewable sources.

If the other 49 governors were working as hard as he is, my job as Energy Secretary would be a lot easier.

I appreciate you all taking the time to be here with me today to talk about the future of U.S. energy policy... and also giving me this opportunity to make an important announcement.

Along with other senior leaders at the Department of Energy, I have been traveling around the country over the last week to highlight some of our Administration's accomplishments under the Energy Policy Act of 2005, which was signed into law just about a year ago.

The Energy Policy Act, or EPACT as we call it inside the Department, was an important step forward for the United States. In just one year, EPACT has led us—and will continue to lead us—toward enhanced energy security and greater energy independence.

One of EPACT's central goals is to help us produce more clean energy here at home and use that energy more efficiently. I'd like to take this opportunity to update you on a promising program that will help us achieve that goal.

EPACT authorized the Department of Energy to issue loan guarantees for projects that employ new or significantly improved energy technologies—while also avoiding, reducing, or sequestering air pollutants and greenhouse gases.

These could include clean coal projects that make electricity or transportation fuels. They could be production facilities for fuel-efficient vehicles, plants that convert cellulosic biomass into ethanol, or other renewable energy projects that employ innovative technologies.

The Department has already established a Loan Guarantee Program Office, and today we are issuing program guidelines. We will be following that up later this week with a solicitation inviting pre-applications for the first round of loan guarantees.

This program will provide \$2 billion in backing for loans to finance new energy projects. By sharing some of the financial risks of early commercial projects that make use of new energy technologies, we hope to encourage their adoption by industry.

We look forward to actively working with Congress, and especially with Chairman Domenici, Chairman Barton and Chairman Hobson, to get this program off to a successful start.

To lessen the risk of defaults on these loans, we are proceeding deliberately and prudently in implementing the program. But we believe these new loan guarantees have the potential to stimulate the commercial use of innovative clean energy technologies that we hope will play an ever larger role in meeting the nation's energy needs.

There is, of course, much more to our overall energy policy than this one effort.

EPACT was the first piece of comprehensive energy legislation passed in more than a decade. It took five years and a lot of work, on a bipartisan basis, to get it through. But we now have a legal and regulatory framework that helps us meet the challenges of increasing our energy security.

EPACT provides us with a strategy constructed around three main ideas—the three pillars, if you will, of energy security. First, we must modernize our energy infrastructure. Second, we must increase our energy efficiency. Third, we must both expand and diversify our domestic energy production—with additional oil and natural gas, as well as renewable energy sources like solar and wind, hydrogen, and biofuels like bio-diesel and cellulosic ethanol. We will also need to make more use of nuclear and clean coal technologies that enhance efficiency while reducing emissions.

EPACT is helping us to move forward in other ways as well. In conjunction with the President's Advanced Energy Initiative, which he announced in his 2006 State of the Union address, we are moving to diversify the nation's energy portfolio.

We are already seeing a renaissance in the U.S. nuclear power industry and EPACT is helping us take that to the next level with provisions encouraging the construction and operation of new advanced nuclear power plants. These include much needed risk insurance, as well as production tax credits to help offset the high capital cost of the first new plants.

Bringing new nuclear power plants online will give us new sources of safe, emissions-free electricity to light our homes and run our businesses. We're also working to bring reliable, cost-effective renewable energy sources like ethanol and E85 to market all

across the country. We're doing it by supporting integrated bio-refinery demonstration projects, and by providing renewable energy production tax credits and other incentives.

And we are modernizing our energy infrastructure, particularly the electric power grid, to meet the demands of our growing economy and population.

Tomorrow, we expect to release our study on congestion points in the grid. It will, in all likelihood, be followed by our designation of certain National Interest Electric Transmission Corridors where immediate improvements are needed. And we expect that action will help clear the way for the construction of new transmission lines.

I am energized by all that has happened in the year since the passage of EPACT...and I plan to continue to challenge my colleagues at the Department and on the Hill to work just as hard in EPACT's second year to create even greater returns for the American people on the road to energy security.

Thank you again for your time.

Location:

Baltimore, Maryland

Media contact(s):

Craig Stevens, (202) 586-4940